
SOUTH FLORIDA WATER MANAGEMENT DISTRICT



Payment Voucher Review

Audit #97-16

**Prepared by
Office of Inspector General**

**Allen Vann, Inspector General
Andrea Stringer, Associate Financial Analyst**

TABLE OF CONTENTS

Background	1
Objectives, Scope and Methodology	4
Findings and Recommendations	
Summary	5
Payment Processing Exceeded 30 Days.....	6
Travel Expenditures and Payments To Vendors for Lodging and Meals.....	8
Inconsistent or Incorrect Coding	10
Vouchers Did Not Contain Original Invoices.....	12
Invoices Not Date Stamped by the Receiving Department	13
Overpayment of Professional Fees	15

Payment Voucher Review for the Period October 1, 1996 to December 31, 1996

BACKGROUND

Accounts Payable in Financial Services, a division of the Management Services Department, is responsible for processing payments made in satisfaction of various obligations of the District. Accounts Payable disbursed a total of \$63,467,051 as follows:

1st Quarter FY97	Number of Checks Written	Dollar Amount of Checks
October	2,094	\$11,012,606
November	2,344	26,622,364
December	1,889	25,832,081
Total	6,327	\$63,467,051

Vendors send an invoice to the District upon delivery of a variety of goods and services. The District's purchase order, contract, or agreement indicates where to mail the invoice and the payment terms. Payments are made to contractors in accordance with contractual obligations. In addition, Accounts Payable issues checks to employees and other authorized District travelers upon submittal of authorized and approved Travel Expense Vouchers. Payments are processed for petty cash fund replenishments and checks are also issued to departments based on Check Request(s) for certain types of expenses.

Before any disbursement can be made, depending upon the type of commodity or service being acquired and the dollar value of the obligation, a contract or purchase order usually needs to be prepared. Thereafter, the contractor or vendor must furnish an invoice for the amount owed and the user department must provide documentation that it has actually received or accepted the deliverable item.

In the Procurement Division, Contract Administrators monitor their contracts for administrative compliance; they receive and date stamp invoices submitted by contractors, initiate a Contract Payment Authorization Form, and forward the payment package to the user department's Project Manager for approval. The Project Manager reviews the invoice and makes sure that all of the tasks have been fully completed and deliverables have been received and accepted. The Project Manager compares the invoice amount and matches it to the deliverables received. The Project Manager signs the Contract Payment Authorization Form. Sometimes, additional signature approvals are needed depending on the dollar amount of the invoice. The payment package is returned to the Contract Administrator who will then verify compliance with all terms and conditions of the contract and ensure that retainage will be withheld from the payment if applicable.

Final payments for construction contracts are also forwarded to the Office of Counsel for review and approval. Depending on the amount and type of invoice, it may be forwarded for additional signature approval. If the invoice includes contract retainage, it is routed through the Accounting Division for recording. After all approvals have been obtained, it is sent to Accounts Payable for payment.

Accounts Payable further reviews all disbursement requests for accuracy and propriety before the check is drawn. Accounts Payable is responsible for:

1. Receiving and matching vendor invoices when they are submitted pursuant to a purchase order,
2. Receiving Contract Payment Authorizations, Check Requests, and Wire Transfer Requests and verifying to vendor invoices,
3. Ensuring the accurate and timely processing of payments,
4. Ensuring that each series of disbursements they make are balanced, controlled, and provide proper audit trails, and
5. Ensuring the accurate and timely disposition of voided and canceled checks.

Disbursements for travel expenses have to comply with District Travel Policy 14.50000 and §112.061 of the Florida Statutes. Petty Cash reimbursements have to comply with District Petty Cash Policy 06.02000. Disbursements for Check Requests follow guidelines contained in Policy 06.20000.

The majority of checks issued by Accounts Payable are computer generated. Checks are customarily printed weekly on Friday mornings and are distributed that afternoon. Manual checks are issued on an as needed basis and must be approved in advance by the Director of Management Services or his delegatee. Manual checks are issued to meet deadlines or in order not to miss a large discount.

A Voucher Payment Check Register is maintained, which provides an account of all of the checks generated by Accounts Payable. It lists the check number, amount, vendor name, vendor invoice number and code, and the voucher date and number.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our audit of payment vouchers were to:

1. Verify District compliance with established procurement guidelines and regulations.
2. Verify the validity and accuracy of payments made for goods and services.
3. Track and/or identify specific procurement trends.

For the audit period, October 1, 1996 through December 31, 1996, we reviewed the weekly Voucher Payment Check Registers, judgmentally selected a sample of vouchers, and requested the original vouchers for our review.

We examined 44 vouchers containing multiple invoices totaling \$623,229 that were authorized by various departments in the District and processed for payment during the audit period. This represents 1% of the vouchers processed during the quarter. The vouchers consisted of payment authorizations and support for checks prepared during the period. We examined each voucher and its supporting documentation to determine whether payments were made in compliance with District guidelines and whether payments made were accurate and legitimate. In addition to the voucher, we utilized the Local Government Finance System (LGFS) for additional information regarding purchase order, contract, and vendor. This report discloses the results of the audit of those payment vouchers.

We prepared a Payment Processing Analysis of Contract Payment Authorizations and Purchase Orders that comprised the majority of payments that were authorized in our sample.

This audit was performed pursuant to the Inspector General's authority set forth in Florida Statute §20.055¹ and was conducted in accordance with generally accepted governmental auditing standards and included those tests we considered necessary under the circumstances.

¹ F.S. §20.055 (5) (h) states that the Inspector General's audit plan, where appropriate, should include postaudit sampling of payments and accounts.

FINDINGS AND RECOMMENDATIONS

SUMMARY

Overall, our test sample revealed that the District is complying with established procurement guidelines and regulations. Payments for goods and services appear to be sufficiently supported by either electronic or hard copy records. Accounts Payable is doing a good job of promptly generating checks after receiving properly completed payment requests. They are also taking advantage of discounts the District is entitled to. We did, however, find several areas where there is room for improvement in the payment processing cycle.

There were a high number of instances where invoices were not paid within thirty days of receipt by the District with the length of processing time as high as 120 days. The delays primarily resulted from the length of time taken by Department Project Managers to review and approve invoices.

We found one instance where the District incurred excess travel expenses for a job applicant as a result of not using the District's travel agency. The District also made several direct payments to vendors for lodging and meals. The State Auditor General determined that direct payments are permitted only when an authorized traveler is required to travel on emergency notice. Management concurred with the Auditor General's recommendation and subsequently revised its policies and procedures to comply with the law and limit direct payments to only emergency travel.

There were three instances where departments miscoded transactions with incorrect or inconsistent object codes; however, the purchases were made within the correct appropriation unit. We also noted a number of instances where invoices were not date stamped or copies were used for payment instead of original invoices. Our review turned up only one minor error in calculation.

Payment Processing Exceeded 30 Days

We noted 18 instances where vendors did not receive payment for goods or services for up to 120 days after the District received their invoice. The District's Purchase Order and Contract terms state:

The District shall pay the full amount of each invoice within thirty (30) Days of receipt and acceptance, provided the Contractor/Vendor has performed the work according to the terms and conditions of the Purchase Order/Contract.

The District's Contract Payment Authorization states:

That the Project Manager must certify that all deliverables/services covered by the invoices have been received, are acceptable and in accord with the terms of the contract.

The Contract Administrator must also certify that the invoiced amounts are in agreement with the contract, are mathematically correct and that the invoice(s) have not already been paid. The authorization is then forwarded to Accounts Payable for processing. The following table lists invoices from our sample that exceeded the thirty-day requirement for processing. The Project Manager review period alone exceeded the thirty day requirement for payment in 14 instances. It is important for the District to meet its financial obligations on a timely basis in order to maintain public trust, good fiscal management, and productive relations with suppliers and contractors.

Voucher #	Vendor	Date Invoice Received	Project Manager Review	Total Days to Process
V9=3933	Argenbright Security	6/13/96	113	120
V9=3929	Argenbright Security	6/26/96	105	107
V9=3765	LJ Nodarse	7/3/96*	89	100
V9=3929	Argenbright Security	7/16/96	85	87
V9=4364	Archives	8/3/96*	44	76
V9=3828	Millian Swain	8/2/96*	60	70
V9=4383	Polaris	8/24/96*	44	55
V9=4383	Polaris	8/24/96*	44	55
V9=3929	Argenbright Security	8/20/96	50	52
V9=3393	Custom Cable	8/13/96	N/A**	52
V9=3278	Prescott Follett	8/16/96	35	49
V9=4365	Archives	9/3/96*	36	45
V9=3920	Argenbright Security	8/30/96	35	42
V9=3929	Argenbright Security	8/30/96	40	42
V9=3929	Argenbright Security	8/30/96	40	42
V9=3828	Millian Swain	9/2/96*	29	39
V9=3444	Art Design	8/28/96	28	37
V9=3752	Morgan Lewis	9/5/96	29	36

Data Source: Accounts Payable - Payment Vouchers

* For Purposes of this Table when there was no date received stamp 3 days was added to invoice date to allow for mail delivery

** This was a Purchase Order and had no Project Manager. All others in the table are Contracts.

Recommendations:

- 1. The District should follow its policy to pay qualified invoices within thirty days. In order to do so time guidelines should be established for Project Managers and Contract Administrators to follow in conducting their respective reviews that would document on the invoice why payment approval reviews were not completed in time to make payment within contractual time periods.**

Management Response:

Management concurs.

Responsible Division: Budget and Procurement
Estimated Completion Date: October 31, 1997

2. District should also consider performing a reengineering study of the contract payment processing cycle.

Management Response:

The Budget and Procurement Office indicated that we do have procedures that could be reviewed and updated, and a lot could be accomplished by convening a small group to “reengineer” the process. This effort does not need to be extensive or require a long period of time. There are opportunities to eliminate some of the duplication in the effort without compromising accuracy.

Responsible Division: Office of Enterprise Engineering
Estimated Completion Date: June 30, 1998

**Travel Expenditures and Payments
To Vendors for Lodging and Meals**

An external applicant for the Director of the Big Cypress Basin was instructed to call each member of the Big Cypress Basin Board to arrange for his interview and then to call the Human Resources Division to arrange for a flight from Idaho to Florida. The District Recruitment Policy 3.20600 states that “the recruiter will schedule interviews until a selection has been made or all applicants have been considered.” It also states that “All requests to interview applicants which involve travel expenses will require the written approval of the Personnel Director prior to scheduling such interviews.”

The applicant purchased an airline ticket on August 30, 1996, for a flight on September 4, 1996. This resulted in the District paying \$1,792 for an airline ticket instead of the \$786 that it should have cost had the flight been booked by the District’s travel agent in a timely manner (this would normally require a 14 day advance with a Saturday night stay). As a result, the District incurred an additional cost of \$1,006. The applicant also incurred

\$22 in long distance calls in an attempt to reach the Big Cypress Board members.

In two separate instances, the Miami Service Center paid Construction Catering Inc. \$1,100 for box lunch meals for students participating in the Biscayne Bay Swim Youth Education Campaign, and Management Services Department paid Comfort Inn-Naples \$235 for lodging for job applicants.

The Auditor General of the State of Florida conducted an operational audit of the District for the fiscal year October 1, 1994 through September 30, 1995. The Auditor General stated that under the provisions of §112.061, Florida Statutes, direct payments for meals and lodging are permitted only when an authorized traveler is required to travel on emergency notice. The District concurred with the recommendation and subsequently changed its policies and procedures to comply with the law and limit direct payments to only emergency travel.

Recommendations:

- 3. The District's Recruitment Policy 3.20600 should be followed with respect to external applicants.**

Management Response:

Management concurs with the recommendation. The Human Resources Division acted at the direction of the Big Cypress Basin Board.

Responsible Division:	Human Resources
Estimated Completion Date:	Ongoing

- 4. Accounts Payable should discontinue processing any future requests for direct payments to vendors for lodging and meals except as authorized under the provisions of §112.061, Florida Statutes.**

Management Response:

Management has revised its related guidelines and communicated this to all departments and offices.

Responsible Division:

Financial Services

Estimated Completion Date:

Completed/Ongoing

Inconsistent or Incorrect Coding

Our examination revealed instances where inconsistent or incorrect object codes were assigned to purchases.

- **Citation Communications**

The Construction and Land Management Department charged Kenwood UHF TK 350 Handheld Radios to object code 5654 (Furniture and Equipment) Items with a cost or value of at least \$500 and an estimated service life of at least one year.

The Ecosystem Restoration Department charged the same radio to object code 5650 (Automotive Equipment) Payments for automobiles, trucks, tractors, trailers, airplanes, helicopters, draglines, bulldozers, etc. with a cost or value of at least \$500 and an estimated service life of at least one year.

- **Custom Cable Industries**

Computer Management (Network) formerly under Management Services now part of the Office of Enterprise Engineering, charged \$17,068. for Telephone and Data Cabling services to 5319 (Other Contractual Service) charges for contractual services not otherwise classified, instead of 5388 (Communications/Data Lines) Charges for communication lines for computer system access, service, etc.

-
- All Webbs Enterprises Inc.

The Water Resources Evaluation Department charged \$50,455 for Well Plugging/Drilling Services to 5319 (Other Contractual Service) Charges for contractual services not otherwise classified, instead of 5316 (Well Plugging/Capping Services) Contractual agreements for well plugging/capping services.

Accurate object code classifications provide a more precise basis for preparing annual budgets. Improper use of object codes compromises the reliability of financial and budgeting data reports related to each project's expenditure patterns.

Recommendation:

5. **All departments should be reinstructed on how to follow the established Chart of Accounts to ensure that the correct object codes are used.**

Management Response:

Management concurs and will emphasize the importance of coding expenditures to the appropriate account when the FY 1998 Chart of Accounts is distributed to all users.

Responsible Division:	Accounting
Estimated Completion Date:	October 31, 1997

Vouchers Did Not Contain Original Invoices

In three instances payments were made from copies or facsimiles of invoices:

- | | |
|---|----------|
| • L. J. Nodarse & Associates, Inc. | \$24,386 |
| • Millian Swain & Associates, Inc. | \$ 9,600 |
| • C & N Environmental Consultants, Inc. | \$11,619 |

Original documents, such as invoices, should be used to authorize transactions because photocopied or duplicate documents can be subject to manipulation and alteration.²

Recommendation:

6. **We recommend that original invoices be used to authorize payment for goods and services to help ensure the validity, accuracy, and timely processing of the District's financial obligations.**

Management Response:

Management Services concurs and will continue its present practice to use original invoices except in those cases where only use of a copy is practicable and Accounts Payable assures the nonexistence of a duplicate payment.

Procurement concurs. When a duplicate of an invoice is used to make payment, it is marked as such and initialed by the Contract Administrator. This is only done on an exception basis.

Responsible Division:	Financial Services Budget and Procurement
Estimated Completion Date:	Completed/Ongoing

² Fraud Examiner's Manual 2nd Edition

Invoices Not Date Stamped by the Receiving Department

There were 13 invoices, which had either no date stamp of when they were originally received or what department received them.

Vendor	Invoice #	Amount
Custom Cable Industries	27170	3,355
Custom Cable Industries	27169	13,713
Argenbright Security Inc	BI96006336	2,836
Argenbright Security Inc	BL96006337	1,280
LJ Nodarse & Assoc	4385	24,386
Millian Swain & Assoc	529	4,320
Millian Swain & Assoc	489	5,280
Palmdale Oil Company	10/1/96	37,876
Archives Mgmt Centers	105280	3,813
Archives Mgmt Centers	105417	4,711
C&N Environmental	C7563-37	11,619
Polaris Service Inc	608501	30,142
Polaris Service Inc	608502	30,142

Data Source: Accounts Payable - Payment Vouchers

The terms and conditions of the District's Purchase Order instruct Contractor/Vendors to send their invoices to Accounts Payable. The District's standard Contract instructs vendors to send their invoices to the Procurement and Contract Administration.

Section 4.11 (3) of the District's *Contract Administration Manual* states the Contract Administrator should:

Receive invoices, date stamp, complete "Contract Payment Authorization" form and forward to Project Manager for Approval. The original payment invoices for construction contracts should be furnished direct to Construction Administration.

To assist in the prompt payment of the District's financial obligations and to take advantage of possible discounts, it is important to have an accurate record of when an invoice is received and by what department.

Recommendation:

- 7. All invoices should be date stamped on the day received and by the department that receives them.**

Management Response:

Management concurs and will communicate this requirement to Procurement and all departments.

Responsible Division:

Financial Services

Estimated Completion Date:

September 30, 1997

Overpayment of Professional Fees

LJ Nodarse & Associates, Inc. was overpaid \$77 due to errors in calculation not detected on their invoice.

The Contract Administrator must certify on the Contract Payment Authorization Form that the invoiced amounts are in agreement with the contract, are mathematically correct and that the invoice(s) have not been paid. The District's Disbursements Policy 06.20021(3) charges the Director of Procurement and Contract Administration or delegatee with the responsibility to approve invoice(s) for deliverables received pursuant to a District contract.

Recommendation:

8. **We recommend that the overpayment be recouped or the amount be offset against a future payment.**

Management Response:

Management concurs and will enter an offset against the next payment or request a refund.

Responsible Division:

Budget and Procurement

Estimated Completion Date:

September 30, 1997